UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
Washington, DC 20250

For: State and County Offices

<u>**2000 Quality Loss Program (QLP) and QLP for Apples and Potatoes (QLP-AP)**</u>

Approved by: Acting Deputy Administrator, Farm Programs

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1 Overview

A
Background

Pub. L. 106-387, the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2001, authorizes the implementation of a crop QLP and QLP-AP.

B
Purpose

This notice provides:

- the signup date for the 2000 QLP and QLP-AP

- clarification for establishing QLP loss levels for crops

- an example providing the calculations used to determine a producer's QLP payment

- instructions for preparation by State and County Offices to implement QLP.

Disposal Date	**Distribution**
October 1, 2001	State Offices; State Offices relay to County Offices

2   2000 QLP and QLP-AP

A
Signup Dates

Signup for 2000 QLP and QLP-AP will begin on **August 13, 2001.** An ending date has not yet been established. However, the ending signup dates will coincide with the ending signup date for the 2000 Crop Disaster Program (CDP).

B
Software

QLP application software will be in the field by the beginning of signup.
Use CCC-557Q to apply for 2000 QLP benefits.

QLP-AP software will **not** be in the field by the beginning of the signup.
Therefore, the County Office shall take manual QLP-AP applications.
Use CCC-557AP to apply for QLP-AP benefits.

Note: Final versions of CCC-557Q and CCC-557AP will be provided before signup.

C
Procedure

Additional 2000 QLP and QLP-AP policy and procedure will be provided in a future 3-DAP amendment.

D
Payment
Calculation
Example

Exhibit 1 provides an example of calculating a producer's net QLP payment which includes the following:

• CDP calculation

• calculation for determining the portion of the CDP payment attributed to quality.

3   Establishing QLP Quality Loss Levels

A
Single Market Crops

For single market crops, affected production will be divided into 1 or more of 5 quality loss levels, established by STC, according to the extent of the quality loss. Notice DAP-105 provides STC procedure for establishing Statewide crop-specific criteria for each of the 5 quality loss levels for County Offices to use when distributing production to the applicable level.

B
Multiple Market Crops

Establishing quality loss levels for multiple market crops is not necessary because quality usually determines the available market for the crop.

Multiple market crops are crops listed on the county CDP crop table having an intended use of fresh, processed, and/or juice. If a multiple market crop only has 1 market rate on the CDP crop table and a second market rate was not established by STC according to procedure in 3-DAP, paragraph 28, the crop will be considered a multiple market crop for QLP.

Exceptions: For QLP, the following crops shall be handled as a single market crop, even though the crops have an intended use of fresh and/or processed on the CDP crop table:

- sugarbeets (crop code 39)
- flowers (crop code 7501).

C
Quality Adjustment Factors

CDP quality adjustment factors provided in 3-DAP, subparagraph 72 B (based on discount tables in the applicable 2-LP) did not adequately address specific quality concerns for certain crops. The following quality adjustment factors attributed to adverse weather and not accounted for under CDP may be added to the criteria for the applicable loss level.

For durum wheat and hard red spring wheat STC may establish the following additional quality adjustment factors not accounted for in 2-LP:

- falling numbers
- hard and vitreous amber color (HVAC).

3   Establishing QLP Quality Loss Levels (Continued)

C
Quality
Adjustment
Factors
(Continued)

In addition, for durum and hard red spring wheat, in those areas where discounts for damaged kernels were excessive because of falling numbers, STC may adjust the damaged kernel discounts.

For malting barley STC may establish quality adjustment factors separately. The following are examples of those factors:

Germination	Mold
Protein	Blight
Thin	Sprout
Plump	DON.
Skinned/Broken	

Note: As for all crops, producers must have acceptable written documentation showing the quality grading factors of the affected production, such as a University or other commercial lab test results. Therefore, documentation showing only that a crop graded as "feed" will **not** be considered acceptable documentation to substantiate the quality of the crop.

4   QLP-AP

A
Notice DAP-106

Notice DAP-106 provides that QLP-AP production for potatoes would not be considered a multiple marketed crop and therefore would be distributed into 1 or more of 5 quality loss levels. However, the following provision supercedes Notice DAP-106, subparagraph 3 A with respect to potatoes:

"Potatoes are produced for multiple markets and therefore for the purposes of QLP-AP will be considered under the multiple market provision. Therefore, STC shall not establish quality loss levels for potatoes."

5 Preparation Required

A
STC Action   STC shall immediately establish Statewide crop-specific criteria for County Offices to use when assigning production among the 5 quality levels as provided in Notice DAP-105 and this notice.

B
COC Action   COC shall immediately notify producers of the following:

- to be eligible for QLP benefits, producers must provide COC acceptable written documentation substantiating the quantity and quality of the production

    Note: Documentation substantiating the quality of the production must include quality grading factors.

- producers should immediately begin gathering written documentation, specific for the production for which the producer is applying for QLP benefits, verifying the:

    - quantity of harvested production and
    - quality of harvested production.

Payment Calculation Example

A
Situation

A producer harvests 18 bushels of a wheat on 1 acre, with a historical yield of 30 bushels. The county average loan rate is $2.75, but because of quality discounts according to 2-LP the producer receives a loan of $1.93.

Formula	Description	Value
A	Producer acres	1
B	Historical yield (bu/ac)	30
C = A X B	Historical production (bu)	30
D	Harvested production (bu)	18
E	County average loan rate ($/bu)	$2.75
F	Producer loan rate ($/bu)	$1.93
G = F / E	Quality adjustment factor used for CDP	0.702
H	CDP crop table price	$3.15

B
CDP Calculation

The quantity loss threshold for CDP is 65 percent of historical production, or 19.5 bushels. The producer's net production is equal to the harvested production times the quality adjustment factor of 0.702, or 12.6 bushels. The CDP net production for payment is the difference between these 2 figures, or 6.9 bushels. The net payment for production times the CDP payment rates results in a gross CDP payment of $14.

Formula	Description	Value
I = C X 65%	Disaster Level (bu)	19.5
J = D X G	Adjusted production (bu)	12.6
K = I - J	CDP net production for payment (bu)	6.9
L = H X 65%	Payment rate ($/bu)	$2.05
M = K X L	Gross CDP payment ($, rounded)	$14

Payment Calculation Example (Continued)

C
Calculation For
Quality Paid
Under CDP

If quality was not a consideration under CDP, the producer's net production would be equal to the harvested production, or 18 bushels. When the 18 bushels are subtracted from the quantity threshold of 19.5 bushels, the producer would have received a CDP payment of $3 based on 1.5 bushels. Subtracting this $3 payment from the $14 CDP payment the producer did receive, results in an $11 CDP payment the producer received as a result of the quality loss.

Formula	Description	Value
N = D	Actual Harvested Production (bu) **Note:** If CDP did not pay for quality losses, then net production would be equal to harvested production.	18
O = I - N	Net production for payment (bu)	1.5
P = O X L	Portion of CDP Payment due to Quantity Loss ($, rounded)	$3
Q = M - P	Portion of CDP Payment due to Quantity Loss ($)	$11

Payment Calculation Example (Continued)

D
QLP Payment
Calculation

COC determined the producer suffered a Level II loss on 18 bushels. The QLP payment is calculated by multiplying the 18 bushels times 65 percent times the $3.15 CDP crop table price times 40 percent times 65 percent, for a gross QLP payment of $10.

Because the producer already received an $11 quality payment under CDP, the producer does not qualify for a QLP payment.

Formula	Description	Value
R	Producer's affected production **Note:** COC-determined level of loss is Level II	18
S = R X 65%	QLP net production for payment	11.7
T	QLP percentage rate **Note:** This rate is applicable for Level II losses	40 %
U = H X T X 65%	QLP payment rate	$0.819
V = S X U	QLP calculated payment ($, rounded)	$10
W= V - Q	Net QLP payment	$0.000